

Message Text

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PAGE 01 FRANKF 09252 211525Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
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FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 6585
INFO AMBASSY BONN 7219
AMEMBASSY BUDAPEST
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY VIENNA
AMCONSUL AMSTERDAM
AMCONSUL ZURICH

C O N F I D E N T I A L FRANKFURT 9252

E.O. 11652: GDS
TAGS: EFIN, HU
SUBJ: NEW 150 MILLION EUROLOAN TO HUNGARY

REF: BUDAPEST 4232

1. A FRAMEWORK AGREEMENT WAS SIGNED IN FRANKFURT ON DEC 5, 1976 FOR A NEW \$150 MILLION CREDIT TO HUNGARY BY AN INTERNATIONAL CONSORTIUM UNDER THE LEAD OF THE DEUTSCHE GENOSSENSCHAFTS BANK (DG BANK) EARMARKED FOR HUNGARIAN EXPORT INDUSTRIES. FORMAL SIGNING WITH THE HUNGARIAN NATIONAL BANK IS EXPECTED TO FOLLOW IN EARLY JANUARY 1977.

2. DG BANK OFFICER CONFIRMS THE LOAN IS REPAYABLE IN THE FIFTH YEAR, FOLLOWING A FOUR-YEAR GRACE PERIOD. PAYOUT IS EXPECTED TO TAKE PLACE SHORTLY AFTER FORMAL SIGNING.
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PAGE 02 FRANKF 09252 211525Z

INTEREST RATE IS 1 1/8 PERCENT OVER LIBOR. IN ADDITION TO THE DG BANK, MANAGERS INCLUDE: BANK FUER GEMEINWIRTSCHAFT; BERLINER HANDELSGESELLSCHAFT-FRANKFURTER BANK; CAISSE NATIONAL DE CREDIT AGRICOLE (PARIS;) CENTRAL RABO BANK (AMSTERSDAM); GIRO ZENTRALE UND BANK DER OESTERRICHISCHEN SPARKASSEN (VIENNA); AND THE FIRST NATIONAL BANK OF CHICAGO.

CO-MANAGERS INCLUDE: BANK POPULAIRE SUISSE; CAISSE CENTRALE DES BANQUES POPULAIRES (PARIS); GENOSSENSCHAFTS ZENTRALBANK (VIENNA); ORION BANK-LONDON (CHASE MANHATTEN PARTICIPATION); AND INTER UNION BANK-PARIS (CROCKER AND MARINE MIDLAND PARTICIPATION).

3. WHEN ASKED BY THE REPORTING OFFICER, A DG BANK DIRECTOR MINIMIZED ANY LANDMARK SIGNIFICANCE OF THIS LOAN, REMARKING MERELY THAT THIS IS THE FIRST TIME THE DG BANK HAS SYNDICATED A TRANSACTION OF THIS TYPE AND SIZE IN DOLLARS. HE CITED THIS LOAN AS A CONCRETE EXAMPLE OF PROJECTS TO BE UNDERTAKEN BY MEMBERS OF UNICO, EUROPE'S NEWEST BANKING GROUP FORMED BY DG BANK AND FIVE OTHER COOPERATIVE-TYPE BANKS. IT APPEARS, HOWEVER, THAT DG BANK, AS GERMANY'S FIFTH LARGEST, IS MOVING MORE ACTIVELY IN FOLLOWING THE OTHER FOUR INTO THE EASTERN EUROPEAN MARKET.

4. A FRANKFURT-BASED FIRST NATIONAL BANK OF CHICAGO OFFICER WITH RESPONSIBILITIES FOR EASTERN EUROPE COMMENTED THAT SYNDICATION IS CLOSED, AND THAT APPROX ONE-THIRD OF THE \$150 MILLION HAS BEEN PASSED OFF TO OTHER EUROPEAN BANKS. GIVEN THE CURRENT STATE OF LIQUIDITY, HE FEELS THAT 1 1/8 PERCENT OVER LIBOR PLUS THE MANAGEMENT FEE PACKAGE REPRESENTS AN ATTRACTIVE PIECE OF BUSINESS. HE ALSO VENTURED THAT OTHER EASTERN EUROPEAN BORROWERS WILL PUSH FOR THIS 1 1/8 PERCENT RATE FOR SUBSEQUENT CREDITS. WITH REGARDS TO HUNGARY'S STANDING WITH WESTERN BANKS, THE CHICAGO BANK REPRESENTATIVE NOTED THAT SINCE EARLY 1976, HUNGARY HAS BEEN THE MOST ADVANCED OF THE EASTERN COUNTRIES IN PROVIDING DETAILED INFORMATION ON THEIR FOREIGN RESERVE AND TRADE POSITIONS.
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PAGE 03 FRANKF 09252 211525Z

5. AS REQUESTED IN REFTEL, CONSULATE GENERAL WILL ATTEMPT TO OBTAIN COPY OF PLACING MEMORANDUM AND FORWARD COPY TO BUDAPEST.
BLAKE

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Message Attributes

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